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SUBJECT: ITALY-INDIA BILATERAL TRADE

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[1](#)B. KOLKATA 54

SUMMARY & COMMENT

[1](#)1. (SBU) Italian exports to India increased by 115 percent from 2000 to 2006, while imports from India into Italy rose 85 percent in the same time period. The majority of import activity from India is concentrated in the textile sector, while Italy primarily exports heavy equipment and machine parts to India. A large Italian trade delegation visited India in February, led by Prime Minister Prodi, with hopes of further boosting trade relations. Italian firms see opportunities in winning contracts to develop India's infrastructure. While large Italian and Indian firms will find many opportunities to form partnerships and invest in both countries, Italian and Indian SMEs, which lack the organizational and management capacity for overseas investing, will likely find few opportunities in the near term. End summary and comment.

[1](#)2. (U) According to February 2007 data from ISTAT, the Italian Statistical Agency, Italian exports to India increased by 115 percent from 2000 to 2006, from 1 billion euro to 2.2 billion euro. Imports from India into Italy have increased 85 percent in the same time period, from 1.6 billion euro to 2.9 billion euro. The majority of import activity from India is concentrated in the textile sector. The majority of Italy's exports to India is in heavy equipment and machine parts, followed by electrical appliances.

[1](#)3. (U) Italy has registered a consistent balance of trade deficit with India since 2000.

Italy's Foreign Trade with India, billions of euros (Source: ISTAT):

	Exports	Imports	Balance
2000	1.007	1.626	-.619
2001	1.034	1.668	-.634
2002	1.034	1.587	-.553
2003	1.097	1.682	-.585
2004	1.273	2.027	-.754
2005	1.679	2.201	-.522
2006	2.170	2.984	-.814

ITALIAN TRADE DELEGATION'S VISIT TO INDIA

¶4. (U) PM Prodi's trip to India in February -- the largest ever Italian trade delegation to visit -- included over 300 business representatives. (Note: Prodi's trip followed an Indian trade delegation visit to Italy November 2006, led by the Indian Minister of Commerce and Industry, Kamal Nath (ref A).) The Italian mission visited Chennai, Bangalore, Mumbai, New Dehli, and Kolkata (ref B). The delegation consisted mostly of small- and medium-sized firms (SMEs), which make up 90 percent of Italy's economy. The mission resulted in eleven industrial agreements involving major Italian firms, such as Fiat, ENI, and Piaggio. An example of the type of MOUs signed as a result of Prodi's visit is that of SELEX Sistemi Integrati, a Finmeccanica company, and Bharat Heavy Electricals Ltd. (BHEL), India's largest engineering and energy infrastructure group. The SELEX-BHEL MOU seeks to develop closer ties between the two companies in the field of radar technology and explore a possible industrial partnership.

ITALIAN INTERESTS IN INDIA

¶5. (SBU) Econoff met March 12 with Amedeo Teti, Director General for International Agreements at the Ministry of Trade, to discuss the Italian trade delegation's February visit to India. Teti stated that Italian companies were interested in bidding on contracts associated with India's seven-year, 300 billion euro infrastructure development plan. (This plan reportedly includes high-speed rail and road links among New Delhi, Mumbai, Chennai, and Kolkata.) Teti

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remarked that Italian companies do not want to "miss the boat" and arrive late on the scene, as they did in China. He added that India is "a bet on the future" and offers a better business environment than China.

¶6. (SBU) Teti also highlighted Indian interest in investing in the Italian textiles and jewelry sectors. In the longer term, he stated, there may be interest in establishing relationships between Cine Citta film studios in Rome and the "Bollywood" movie companies. Teti noted that Bollywood producers currently travel to Switzerland to shoot the alpine segments of their films, and that these scenes could be filmed in the Dolomites.

¶7. (SBU) Teti thanked the U.S. for joining Italy in its WTO action against Indian tariffs on wine and spirit imports. Teti commented that the tariffs serve primarily to protect Indian whiskey makers.

INDIAN INTERESTS IN ITALY

¶8. (SBU) Econoffs met March 21 with M. Subbarayudu, Commercial Counselor at the Indian Embassy in Rome. Subbarayudu stated that Indian investors and companies are just now beginning to study the Italian economy to see what opportunities might exist. The ultimate decision on whether or not to invest in Italy would be made by Indian investors and companies themselves, Subbarayudu stated; the Indian government would merely ensure investors/firms had good contacts in Italy on which to base their investment decisions. Subbarayudu noted that it would be difficult for Indian SMEs to break into the Italian market, given Indian SME's lack of organizational and managerial capacity, but that immediate opportunities exist for large Indian firms, such as Tata and BHEL.

COMMENT

¶9. (SBU) Italian firms see enormous opportunity in developing India's infrastructure and exporting Italian consumer goods to a growing Indian middle class. As seen from here, Indian firms reportedly also see a viable economic partner in Italian firms to assist Indian firms develop new products and technologies. However, the opportunities for Italian and Indian SMEs do not look so promising in the near future, given SME's lack of organizational and managerial capacity. We note that of the eleven MOUs signed as a result of PM Prodi's trip, all involve large, industrial firms, such as Finmeccanica and BHEL. SMEs in both countries will continue to struggle to enter the other's market in the near term. End comment.

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